



ELIGIBLE PROPERTIES

Existing Construction

Single family, multi-family (up to four units), or manufactured homes* that:

- Have been fully completed for one year, or
- Have been previously owner occupied, and
- Meet VA Minimum Property Requirements (MPRs)

*Attached to permanent foundations

New or Under Construction

- VA or HUD inspected during construction, or
- Insured protection plan (10-year warranty), or
- “Special Exception” case, or
- Veteran built home

Proposed Construction

- Home to be constructed in accordance with approved plans and specifications, and
- Inspected during construction, and
- Meets local building code requirements for proposed construction





INELIGIBLE PROPERTIES

Ineligible Properties*

- ✗ Does not meet Minimum Property Requirements
- ✗ Located in Flood Hazard area where flood insurance is not available
- ✗ Located in the Coastal Barrier Resource System
- ✗ Proposed or new construction located in Airport Noise Zone 3 (high noise)
- ✗ Located in non-approved Condominium Developments (Condo)
- ✗ Cooperatives

*If the estimated remaining economic life of the property listed on the CRV/NOV is less than 30 years, the term of the loan cannot exceed that number of years.

Note: The VA guarantees the loan only. It is the purchaser's responsibility to see that all components of the house, i.e. heating, cooling, plumbing, electric, roof, etc., are in proper working condition. If VA appraisers see a readily observable problem, they are instructed to report it, but they are not inspectors. Should the veteran purchaser have cause to believe that a system is not working properly, it is up to the veteran to assure her/himself of the condition.



Insert slide "Non-Residential Use"



MINIMUM PROPERTY REQUIREMENTS

VA home loans have Minimum Property Requirements (MPRs). Although they are numerous, VA breaks them into three distinct areas.

Safe - VA needs to know if the property is free of any hazards that could cause injury or illness. For example, is there a potential fire hazard? Does the property have peeling paint containing lead?

Sanitary - VA requires the property to contain an adequate sanitary disposal system free of any conditions that would be considered unsanitary.

Structurally Sound - Does the property exhibit any foundation problems that would put into question its structural integrity. Minor hairline cracks in the foundation do not constitute structural unsoundness.

Note: Cosmetic repairs such as a new coat of paint on interior walls or new carpeting, do not fall under the safe, sanitary and structurally sound criteria.

For more detailed information on MPRs, please see Chapter 12 of VA Pamphlet 26-7, Lender's Handbook, www.homeloans.va.gov/handbook.htm.





APPRAISAL

Opinions of Home Value - As a home loan guarantor, VA needs to know that the property which will become the collateral for a VA loan is worth at least as much as the loan amount, especially because there is usually no down payment. The appraisers are known by VA as fee appraisers because they are not employees or staff appraisers of VA, but they are private contractors, licensed by the state to compare individual homes and determine market values based on recent home sales.

New Homes - If the home is to be a new construction, then building plans and specifications are required. Three compliance inspections are required during the course of construction. The plans are sent from VA to the fee compliance inspector to compare with the actual construction and to ensure that the home is built in accordance with the plans and specifications.

Observations of the Appraiser - State licensed appraisers are trained and qualified to observe homes and describe conditions which are not safe, sound or sanitary.

Ordering the VA Appraisal - Lenders who process VA loans need to obtain a VA identification number for each requested loan. The VA number is known as the VA case number, loan number, loan identifier or loan identification number. The VA number has 12 digits. The first four digits indicate the location of the property and the local VA office. In Colorado, for example, VA numbers start with "39-39-...". In Utah VA numbers start with "41-41-...". After the first four digits the VA number continues with the loan type, which is "6". The last seven digits are assigned by VA in sequence to individual cases at time of appraisal request.

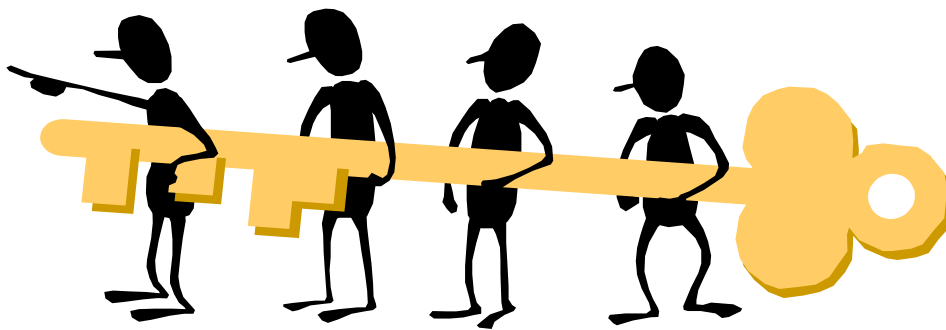
Lender Appraisal Processing - Many lenders are authorized by VA to process and approve requests for VA loans without sending the credit and underwriting documents to VA until after the closing. They are known as VA automatic lenders. Many automatic lenders are also authorized by VA to review appraisals and issue notices of value to borrowers. This review authority is known as the VA Lender Appraisal Processing Program (LAPP). Having LAPP authority can speed the loan approval because appraisal packages need not be sent to VA for review and issuance of a Notice of Value. Instead, the lender's Staff Appraisal Reviewer (SAR) issues a Notice of Value.



APPRAISAL(Continued)

Notices of Value - After the appraisal is reviewed by either the lender or VA, depending on the lender's authority, a Notice of Value (NOV) will be sent to the loan applicant. The notice from the lender from VA states the market value of the home based on the opinions of the appraiser and the reviewer. The NOV may also list any conditions at the property that need correction or completion.

Fee Compliance Inspections - If the home is not yet built, the work of the builder will be reviewed by VA Fee Compliance Inspectors. These inspectors are not employees of VA. The VA requirements will be satisfied by meeting local building codes. It is important to know that local codes are enforced by local officials and that the job of the VA fee compliance inspectors is not to enforce local codes, but to compare the completed work with the VA-approved construction plans and specifications from the builder. Additionally, a property inspection by a VA fee compliance inspector does not create a home warranty for the buyer.



Insert slide "Waivers on Repairs"

MISCELLANEOUS APPRAISAL INFORMATION



Public Water and Sewer - If the property is not connected to public water and sewer lines and those systems are available at the property and connection is feasible, then connection may be required as a condition of the NOV.

Builder Certifications - Before guaranteeing a loan for a new home, VA requires the builder to certify that certain conditions have been met in constructing the home. For example, these certifications usually refer to the treatment of the excavated soil near a new foundation to guard against insect infestation, the maximum content of toxic lead metal in the plumbing system and the latest construction standards required by 1992 Model Energy Code (MEC) of the Council of American Building Officials (CABO). Builders approved by VA are aware of the requirements for the certifications, but lenders may need to ensure that the correct certifications are promptly sent to VA so that the loan can be guaranteed without delay.

Repair Escrow - If certain landscaping, finishing or repairs cannot be completed because of weather conditions, then the lender may instruct a title company or other agent to hold money from the sales closing in an escrow account until the delayed work is completed. The amount held is usually one and one-half times the estimated cost, so that the veteran purchaser, the lender, and VA will be protected against possible failure by the builder or contractor. The originating lender is expected to ensure that the delayed work on the home is completed as agreed by seller and buyer at closing, even though the lender may have already arranged to sell the loan soon after closing.

New Homes Built Without VA Inspections - If a builder sells a newly constructed home on which the required compliance inspections were not done, the builder must provide ten-year insurance-backed warranty that is approved by FHA (along with the standard one-year builder's warranty). Additionally, the buyer needs to acknowledge that VA will not assist with any problems or complaints to the builder concerning construction defects. The builder should contact VA for details about "Special Exception" processing, so that the new home can qualify as collateral for a VA guaranteed loan.

Grant from VA for Specially Adapted Housing (SAH)- VA is authorized to approve a grant of not more than 50 percent of the cost of a home (maximum grant is \$48,000) to certain totally disabled veterans who build, buy or remodel a home that will accommodate the needs of the disability. A request for the grant and the adaptations must meet certain guidelines and be approved by VA prior to disbursement of the funds.

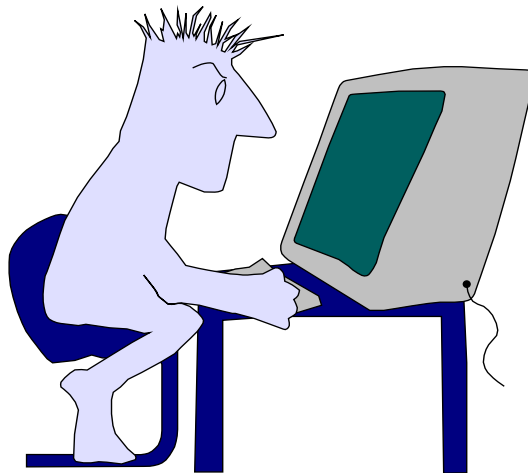
A separate category of specially adapted housing for blind veterans and veterans with loss of use of both upper extremities is available. This category is referred to as a Housing Adaptation Grant (HAG). This is limited to \$9,250.



THE APPRAISAL SYSTEM (TAS)

- ★ TAS is Internet based, and reached via the Internet Service Provider of user's choice.
- ★ Appraisal assignments are based on the mailing address of the property, including the county name.
- ★ In addition to obtaining VA case numbers and having appraisers and inspectors assigned, lenders may check the status of appraisal requests and use the property address or veteran's name to search for a misplaced case number.
- ★ Fee appraisers and inspectors are able to access TAS to review and update their basic reference file information, such as mailing address, telephone numbers and some aspects of their availability for assignments. They are also able to review information about their pending assignments (e.g. property address, VA case number, appraisal requester information and the current status of each assignment).
- ★ Lender's will process their Notice of Value (NOV) in TAS. The lender and VA will be able to access the NOV on line after it is completed.

<http://tas.vba.va.gov/TAS/index.html>



Insert slide "The Appraisal System"



ENERGY EFFICIENT

Energy Efficient Mortgage

Loans for the acquisition of an existing dwelling and the cost of making energy efficient improvements to the dwelling, or refinancing an existing VA loan with an interest rate reduction refinance loan or for energy improvements to a dwelling owned and occupied by a veteran.

- Increase up to \$3,000 based solely on the documented costs.
- Increase up to \$6,000 provided increase in payment does not exceed the likely reduction in monthly utility costs.
- Increase more than \$6,000 subject to a value determination by VA.

Energy Efficient Improvements

- ★ Solar heating systems
- ★ Solar heating and cooling systems
- ★ Furnace efficiency modifications
- ★ Clock thermostats
- ★ New or additional ceiling, attic, wall and floor insulation
- ★ Water heater insulation
- ★ Storm windows and/or doors
- ★ Heat pumps
- ★ Vapor barriers

VA will guaranty an energy efficient mortgage in the same proportion as a loan not including energy efficiency improvements. However, the charge to the veteran's entitlement will be based upon the loan amount before adding the cost of energy efficiency improvements.

Note: *The funding fee must be calculated on the full loan amount, including the cost of the energy efficient improvements.*





FREQUENTLY ASKED QUESTIONS



Are lenders allowed to select their own appraiser?

No. To protect the integrity of the program, VA is mandated by Congressional legislation to maintain a roster of approved, licensed appraisers who must be assigned on a rotational basis for each area.

Does VA guaranty the condition of the property?

No. VA guarantees the loan, not the condition of the property. VA will have an appraisal made of the property to determine its reasonable value for loan purposes only. This appraisal, however, does not assure that the home will be satisfactory to the veteran in all respects or that all equipment will operate properly. A thorough inspection of the property by the veteran or a reputable inspection firm may help minimize any problems that could arise after closing. Particular attention should be given to plumbing, heating, electrical and roofing components.

Will there be a warranty on a new house?

Yes. If the new home was built using VA or HUD inspections, and the builder submits plans and specifications to VA prior to construction, the builder will be required to furnish a one-year builder's warranty. If the new home was not built using VA or HUD inspections, the builder will be required to furnish a HUD-approved ten-year insurance-backed warranty at closing. There is, however, no VA warranty.

If the veteran has a problem with a new home, who should be contacted?

The veteran should contact the builder in writing during the first year to request repairs under the terms of the builder's warranty. If the veteran has a 10-year insurance-backed warranty, the he/she should follow the instructions on filing a claim contained within the warranty after the first year. In either case, if the builder or warranty company does not respond to the complaint, the veteran may contact VA to file a construction complaint against them.

Does a manufactured home qualify for a 30-year loan?

Yes. However, the manufactured home will have to be permanently installed on a foundation. This includes removal of the tongue and wheels, and anchoring the manufactured home to a masonry perimeter foundation wall with interior masonry mortared piers on concrete footings. The home will also have to be taxed as real estate in the county in which it was set up.



More FAQ's



Will VA guaranty a loan for an RV, houseboat, or mobile home?

No. The property must be on a permanent foundation and taxed as real estate.

Does the veteran have to purchase flood insurance?

Flood insurance must be purchased and maintained if the foundation of the home or any of the improvements are in a special flood hazard area as determined by the Federal Emergency Management Agency (FEMA).

Can a veteran build a home and finance it VA?

Yes. The veteran can hire a builder or act as his/her own general contractor.

Can a VA loan on a house located in a Planned Unit Development (PUD) be obtained?

Yes. However, if there is a mandatory homeowner's association fee to cover the amenities, certain legal documents will have to be submitted to VA for approval prior to guaranty. If the PUD has already been approved by HUD, then VA will accept HUD's approval.

Can a veteran buy a home with acreage using the VA benefit?

Yes. Any excess acreage, which is greater than the typical home site in the subject house's market area, will be valued as raw, undeveloped land for guaranty purposes.

